

BANK INDONESIA REGULATION

NUMBER : 9/5/PBI/2007

CONCERNING

SHARIA INTERBANK MONEY MARKET

WITH THE BLESSING OF THE ONE GOD

THE GOVERNOR OF BANK INDONESIA,

- Considering :
- a. whereas increasingly rapid developments of sharia banking require a more liquid and efficient management of liquidity and sharia interbank money market;
 - b. whereas prevailing sharia interbank money market instruments which use *mudharabah* contracts have not fully met requirements in the management of sharia bank liquidity;
 - c. whereas in order to meet the requirements of sharia banking liquidity management it is necessary to give a room for the use of sharia interbank money market instruments other than the *mudharabah* contracts;
 - d. whereas pursuant to the considerations set forth in letter a, letter b, and letter c, it is necessary to improve provisions concerning Sharia Interbank Money Market.

- In view of :
1. Act Number 7 of 1992 concerning Banking (State Gazette of the Republic of Indonesia Number 31 of 1992, Supplement to the State Gazette of the Republic Indonesia Number 3472) as amended by Act Number 10 of 1998 (State Gazette of the Republic of Indonesia Number 182 of 1998, Supplement to the State Gazette of the Republic of Indonesia Number 3790);
 2. Act Number 23 of 1999 concerning Bank Indonesia (State Gazette of the Republic of Indonesia Number 66 of 1999, Supplement to the State Gazette of the Republic of Indonesia Number 3843) as amended by Act Number 3 of 2004 (State Gazette of the Republic of Indonesia Number 7 of 2004, Supplement to the State Gazette of the Republic of Indonesia Number 4357);

HAS DECREED :

To enact : BANK INDONESIA REGULATION CONCERNING SHARIA
INTERBANK MONEY MARKET

CHAPTER I

GENERAL PROVISIONS

Article 1

Terminologies in this Bank Indonesia Regulation are defined as follows.

1. Conventional Bank is a Commercial Bank as referred to in Act Number 7 of 1992 concerning Banking as amended by Act Number 10 of 1998 conducting business on conventional basis;

2. Sharia ...

2. Sharia Bank is a Commercial Bank as referred to in Act Number 7 of 1992 concerning Banking as amended by Act Number 10 of 1998 conducting business based on sharia principles;
3. Sharia Division, hereinafter referred to as UUS, is :
 - a. a work unit in Conventional Bank head office performing functions as principal office of sharia branch offices and/or sharia units; or
 - b. a work unit in Conventional Bank branch office located overseas performing functions as principal office of sharia sub-branch offices and/or sharia units;
4. Sharia Interbank Money Market, hereinafter referred to as PUAS, is a short-term financial transaction among banks conducting business based on sharia principles either in rupiah or foreign currency;
5. PUAS Instrument is a financial instrument based on sharia principles issued by Sharia Bank or UUS used as a transaction means in PUAS;
6. Sharia Principles are agreement rules based on Islamic laws as referred to in Article 1 number 13 Act Number 7 of 1992 concerning Banking as amended by Act Number 10 of 1998.

CHAPTER II

PUAS PARTICIPANTS

Article 2

- (1) PUAS participants shall comprise Sharia Banks, UUSs, and Conventional Banks.
- (2) Sharia Banks and UUSs as referred to in paragraph (1) may conduct fund placements and/or receiving using PUAS instruments as stipulated by Bank Indonesia.

(3) Conventional ...

- (3) Conventional Banks as referred to in paragraph (1) may only conduct fund placements in PUAS instruments as stipulated by Bank Indonesia.

CHAPTER III

PUAS TRANSACTION AND INSTRUMENTS

Article 3

PUAS instruments usable by PUAS Participants are instruments stipulated by Bank Indonesia as PUAS Instruments.

Article 4

- (1) Sharia Banks or UUSs intending to issue PUAS Instruments other than those stipulated in Article 3 shall be required to submit an application of approval to Bank Indonesia in advance.
- (2) Sharia Banks or UUSs intending to submit application of issuance of PUAS Instruments as referred to in paragraph (1) must have obtained fatwa concerning compliance of the PUAS Instruments with sharia principles from the National Sharia Council.
- (3) After Bank Indonesia has approved the PUAS Instruments as referred to in paragraph (1), Bank Indonesia shall regulate the PUAS Instruments in a Bank Indonesia Circular Letter.
- (4) Sharia Banks or UUSs as referred to in paragraph (1) and other Sharia Banks or UUSs may only issue PUAS Instruments since enactment of Bank Indonesia Circular Letter as referred to in paragraph (3).
- (5) Other Sharia Banks or UUSs as referred to in paragraph (4) may issue PUAS Instruments which have been stipulated in the Bank Indonesia Circular Letter as referred to in paragraph (4) with no obligation to submit application in advance.

(6) Procedures ...

- (6) Procedures for the submission of application and approval on issuance of PUAS Instruments as referred to in paragraph (1) shall be stipulated further in a Bank Indonesia Circular Letter.

Article 5

- (1) PUAS Instruments issued before the enactment of this Bank Indonesia Regulation shall be re-regulated in a specific Bank Indonesia Circular Letter.
- (2) Sharia Banks or UUSs intending to issue PUAS Instruments as referred to in paragraph (1) shall not be necessary to follow the procedures as referred to in Article 4.

Article 6

- (1) Bank Indonesia shall stipulate types of tradable PUAS Instruments before maturity.
- (2) The types and procedures of trade of PUAS Instruments as referred to in paragraph (1) shall be stipulated in a Bank Indonesia Circular Letter.

CHAPTER IV

REPORTING

Article 7

PUAS Participants shall be required to report PUAS transactions to Bank Indonesia in accordance with applicable Bank Indonesia provisions.

CHAPTER V

SANCTIONS

Article 8

Any Sharia Bank or UUS failing to comply with provision in Article 4 paragraph (1) shall be liable to administrative sanction referring to Article 52 Act Number 7 of 1992 concerning Banking as amended by Act Number 10 of 1998.

Article 9

Any PUAS Participant failing to comply with provision as referred to in Article 7 shall be liable to sanction referring to Bank Indonesia provisions concerning PUAS reporting.

CHAPTER VI

TRANSITIONAL PROVISIONS

Article 10

Any PUAS Instrument which has presently been issued prior to the enactment of this Bank Indonesia Regulation, namely Certificate of *Mudharabah* Interbank Investment (IMA), shall continue to be in effect up to its maturity referring to Bank Indonesia Regulation Number 2/8/PBI/2000 dated February 23, 2000 concerning Sharia Interbank Money Market as amended by Bank Indonesia Regulation Number 7/26/PBI/2005.

CHAPTER VII

CONCLUDING PROVISIONS

Article 11

By the enactment of this Bank Indonesia Regulation, Bank Indonesia Regulation Number 2/8/PBI/2000 dated February 23, 2000 concerning Sharia Interbank Money Market as amended by Bank Indonesia Regulation Number 7/26/PBI/2005 shall be revoked and declared no longer valid.

Article 12 ...

Article 12

This Bank Indonesia Regulation shall come into force since its enactment.

Enacted in Jakarta

Dated March 30, 2007

THE GOVERNOR OF BANK INDONESIA,

BURHANUDDIN ABDULLAH

STATE GAZETTE OF THE REPUBLIC OF INDONESIA NUMBER 53 OF
2007

DPM

ELUCIDATION TO
BANK INDONESIA REGULATION
NUMBER : 9/5/PBI/2007
CONCERNING
SHARIA INTERBANK MONEY MARKET

I. GENERAL REVIEW

Increasingly rapid developments of shariah banks these days have enhanced mobilization of public funds in sharia banking industry. This encourages improvement in liquidity management by sharia banks that leads to a requirement for a more liquid and efficient sharia interbank money market.

To enhance liquidity and efficiency of PUAS it is necessary to develop PUAS instruments other than *mudharabah* contract. Therefore, PUAS instruments in sharia bank liquidity management become more diversified.

Furthermore, considering that market participants understand the proper PUAS instruments, it is necessary to encourage their active role in developing PUAS instruments. To develop the PUAS instruments it is necessary that Bank Indonesia regulates and stipulates PUAS instruments. Pursuant to the aforementioned explanation it is necessary to improve prevailing provisions concerning Sharia Interbank Money Market.

II. ARTICLE BY ARTICLE

Article 1

Self-explanatory.

Article 2

Self-explanatory ...

Self-explanatory.

Article 3

Self-explanatory.

Article 4

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Bank Indonesia Circular Letter as referred to in this paragraph shall be issued for any application of Sharia Bank or UUS to issue PUAS Instrument which has been approved by Bank Indonesia. Subjects to be stipulated in this Circular Letter shall include, among others, characteristics and requirements, transaction mechanism, transaction settlement, and reporting.

Paragraph (4)

Self-explanatory.

Paragraph (5)

Self-explanatory.

Paragraph (6)

Bank Indonesia Circular Letter in this paragraph shall regulate procedures of PUAS.

Article 5

Self-explanatory.

Article 6

Self-explanatory.

Article 7 ...

Article 7

Self-explanatory.

Article 8

Self-explanatory.

Article 9

Self-explanatory.

Article 10

Self-explanatory.

Article 11

Self-explanatory.

Article 12

Self-explanatory.

SUPPLEMENT TO THE STATE GAZETTE OF THE REPUBLIC OF
INDONESIA NUMBER 4715

DPM